

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
GRINNELL, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Jeff Smith	President	2013
Doug Cameron	Vice President	2013
Lynn Cavanagh	Board Member	2011
Jeanette Budding	Board Member	2011
Carol Wilhelm	Board Member	2011
Barbara Brown	Board Member	2013
Leo Lease	Board Member	2013
<u>School Officials</u>		
Edith Eckles	Superintendent	2011
J.T. Anderson	District Secretary/Treasurer Business Manager	2011
Donald L. Schild	Attorney	2011
Ahlers Law Firm	Attorney	2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Grinnell-Newburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grinnell-Newburg Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grinnell-Newburg Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2011 on our consideration of Grinnell-Newburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 51 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grinnell-Newburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements for the five years ended June 30, 2010. For the year ended June 30, 2005, we expressed an adverse opinion on the aggregate discretely presented component unit due to the omission of the component unit from the District's financial statements, and we expressed an unqualified opinion on the District's governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
November 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Grinnell-Newburg Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2011. Please read it in conjunction with the district's financial statements.

Financial Highlights

- General Fund revenues increased from \$15,480,294 in FY10 to \$17,108,882 in FY11, while General Fund expenditures increased from \$14,921,090 in FY10 to \$16,184,098 in FY11. Revenues exceeded expenditures by \$924,784 in FY11. In FY10, revenues exceeded expenditures by \$559,204.

The General Fund balance at June 30, 2011 was \$3,349,584 or 20.7% of general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: Management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

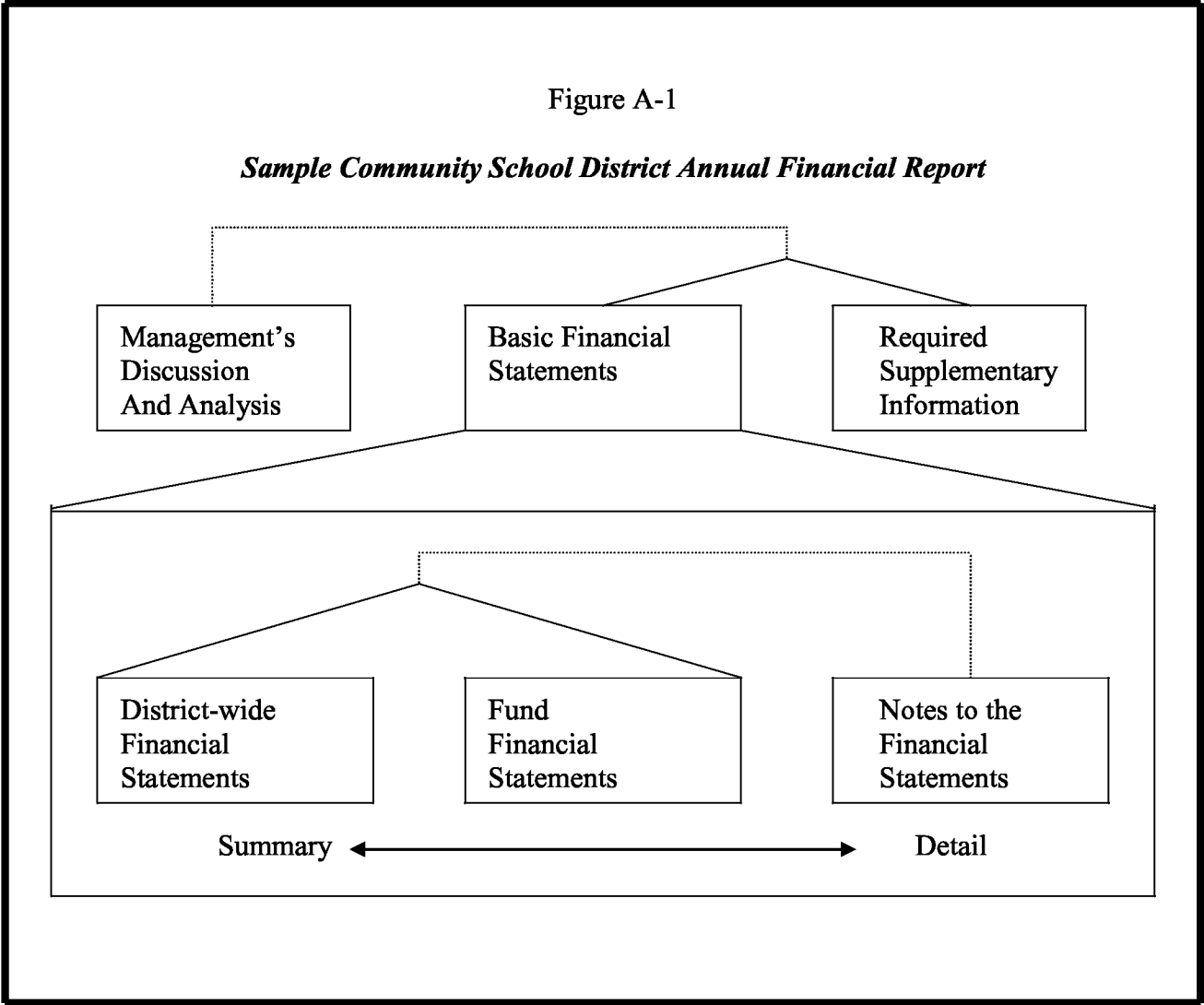


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p style="text-align: center;">Figure A-2 <i>Major Features of the District-Wide and Fund Financial Statements</i></p>				
	District-wide Statements	Fund Statements		
		Governmental funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash Flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal funds.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provided a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District school for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

Net assets. A comparison of the District's combined net assets for 2010 and 2011 follows:

**Figure A-3
Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other Assets	\$16,684,969	\$14,476,647	\$119,327	\$ 92,012	\$16,804,296	\$14,568,659
Capital assets	<u>21,320,857</u>	<u>21,156,046</u>	<u>109,856</u>	<u>110,956</u>	<u>21,430,713</u>	<u>21,267,002</u>
Total assets	38,005,826	35,632,693	229,183	202,968	38,235,009	35,835,661
Long-term obligations	5,585,582	6,193,561	3,746	3,746	5,589,328	6,197,307
Other obligations	<u>9,151,026</u>	<u>8,812,015</u>	<u>67,431</u>	<u>76,821</u>	<u>9,218,457</u>	<u>8,888,836</u>
Total liabilities	14,736,608	15,005,576	71,177	80,567	14,807,785	15,086,143
Net assets						
Invested in capital assets net of related debt	16,085,857	15,276,046	109,856	110,956	16,195,713	15,387,002
Restricted	3,518,759	2,659,422			3,518,759	2,659,422
Unrestricted	<u>3,664,602</u>	<u>2,691,649</u>	<u>48,150</u>	<u>11,445</u>	<u>3,712,752</u>	<u>2,703,094</u>
Total net assets	<u>\$23,269,218</u>	<u>\$20,627,117</u>	<u>\$158,006</u>	<u>\$122,401</u>	<u>\$23,427,224</u>	<u>\$20,749,518</u>

A large portion of the District's net assets reflects its investment in capital assets (land, buildings and building improvements, and equipment and machinery), less related debt (general obligation bonds payable and early retirements benefits payable). The District uses these capital assets to provide services to students and are generally not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in net assets – Figure A-4 shows a comparison of the changes in net assets for two years ending June 30, 2010 and 2011.

Figure A-4

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for service & sales	\$ 1,419,828	\$ 1,243,465	\$ 540,754	\$ 531,809	\$ 1,960,582	\$ 1,775,274
Operating grants, contributions, and restricted interest	2,945,222	2,533,967	385,496	385,467	3,330,718	2,919,434
Capital grants, contributions and restricted interest	185,000	532,216	-	-	185,000	532,216
General revenues:						
Property tax	6,206,232	5,779,228	-	-	6,206,232	5,779,228
Debt Service	806,632	829,757	-	-	806,632	829,757
PPEL	340,548	320,681	-	-	340,548	320,681
Local Option Sales and Services tax	1,205,859	1,215,359	-	-	1,205,859	1,215,359
Income Surtax	705,509	800,545	-	-	705,509	800,545
Unrestricted state grants	7,100,913	6,425,031	-	-	7,100,913	6,425,031
Unrestricted interest earnings	17,232	41,422	344	244	17,576	41,666
Other	<u>57,253</u>	<u>106,920</u>	<u>-</u>	<u>-</u>	<u>57,253</u>	<u>106,920</u>
Total revenues	\$20,990,228	\$19,828,591	\$ 926,594	\$ 917,520	\$21,916,822	\$20,746,111
Program expenses:						
Governmental activities:						
Instruction	\$11,365,845	\$10,433,203	-	-	\$11,365,845	\$10,433,203
Support Services	5,200,113	4,876,722	9,720	13,779	5,209,833	4,890,501
Non-instructional programs	-	-	881,269	899,112	881,269	899,112
Other expenses	<u>1,782,169</u>	<u>1,843,103</u>	<u>-</u>	<u>-</u>	<u>1,782,169</u>	<u>1,843,103</u>
	\$18,348,127	\$17,153,028	\$890,989	\$912,891	\$19,239,116	\$18,065,919
Change in net assets	\$2,642,101	\$2,675,563	\$35,605	\$4,629	\$ 2,677,706	\$ 2,680,192

The major sources of 2011 revenues for the District were property tax and unrestricted state grants, accounting for 66% of the 2011 revenues. Other revenue sources were charges for sales and services, 9%; operating grants, contributions, and restricted interest, 15%; sales and services tax, 6%; income surtax, 3%; and other sources, 1%.

The District's expenses primarily relate to instruction and support services, which accounted for 86% of the total expenses.

Governmental Activities

Governmental activities revenues for 2011 were \$20,990,228 and expenses were \$18,348,127 resulting in a net asset increase of \$2,642,101.

Figure A-5 presents a comparison of the total and net cost of the District's major governmental activities:

Figure A-5				
Total and Net Cost of Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$11,365,845	\$10,433,203	\$7,908,021	\$7,662,752
Support Services	5,200,113	4,876,722	5,143,625	4,601,314
Non-instructional programs				
Other expenses	<u>1,782,169</u>	<u>1,843,103</u>	<u>746,431</u>	<u>579,314</u>
Totals	\$18,348,127	\$17,153,028	\$13,798,077	\$12,843,380

- The cost financed by users of the District's programs was \$1,419,828 in 2011, compared to \$1,243,465 in 2010.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,945,222 in 2011, compared to \$2,533,967 in 2010. Capital grants and contributions provided an additional \$185,000 of funding in 2011.
- The net cost of governmental activities was financed with \$9,264,780 of property and other taxes, \$7,100,913 unrestricted state funds, \$17,232 in unrestricted investment earnings, and \$57,253 in other revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$926,594 and expenses were \$890,989. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

Financial Analysis of the District's Funds

As previously noted, the Grinnell-Newburg Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended 2011, its governmental funds reported combined fund balances of \$6,635,928.

Governmental Fund Highlights

The General Fund balance increased by \$931,964, as noted in the financial highlights at the beginning of the MD&A. This follows an increase of fund balance of \$524,283 from the previous year. The Capital Projects Fund balance increased by \$749,261 from the previous year. Nonmajor Governmental Funds and other fund balances remained relatively unchanged.

Proprietary Fund Highlights

The School Nutrition fund net assets increased from \$125,830 in 2010 to \$161,435 in 2011. The District's After School Enterprise Fund (childcare) net assets remained unchanged with (\$3,429) in 2010 and 2011 as the district no longer administers an After School Enterprise Fund.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust fund. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented as part of required supplementary information.

Legal Budgetary Highlights

The District's total actual revenues were \$292,654 more than the total projected certified budget revenues.

Total expenditures were \$4,665,808 less than budgeted. Budgeted expenses were overstated as it is the practice of the District to budget expenditures at the maximum authorized spending authority for all funds. The district controls spending through the line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011 the District had invested \$21,320,857 net of accumulated depreciation of \$8,938,084, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$109,856 net of accumulated depreciation of \$149,951, in capital assets. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$853,021 for governmental activities, and \$15,956 for business-type activities.

The District has set capitalization levels of \$5,000 for all governmental activities assets except buildings and improvements other than buildings which have a capitalization level of \$20,000 and intangible assets which have a capitalization level of \$100,000. Business-type activities utilize the \$500 capitalization level as required by regulations of the Bureau of Food and Nutrition.

Significant capital assets activities include buildings and equipment additions.

Figure A-6

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 52,500	\$ -	\$ 52,500
Buildings (incl. Construct in Progress)	20,303,014	-	20,303,014
Improvements, other than buildings	269,985	-	269,985
Furniture and equipment	<u>695,358</u>	<u>109,856</u>	<u>805,214</u>
Total	<u>\$21,320,857</u>	<u>\$109,856</u>	<u>\$21,430,713</u>

Long-Term Liabilities

At June 30, 2011 the District had long-term liabilities totaling \$5,585,582 of which \$129,389 was for early retirement benefits and \$5,235,000 was for general-obligation bond debt. More detailed information is available in Note 5 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of a major existing circumstance that could significantly affect its financial health in the future.

- District enrollment for 2011-12 was 1,743, an increase of 34 from the prior year. Enrollment is projected to remain stable or slightly decline over the coming five to ten year period.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact J.T. Anderson, Business Manager, Grinnell-Newburg Community School District, 927 4th Avenue, Grinnell, Iowa 50112.

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Basic Financial Statements

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 7,511,451	\$ 114,145	\$ 7,625,596
Receivables:			
Property tax:			
Current year	97,477	-	97,477
Succeeding year	7,707,660	-	7,707,660
Income surtax	757,316	-	757,316
Interfund receivable (payable)(note 3)	3,011	(3,011)	-
Accounts	152,524	-	152,524
Due from other governments	455,530	5,503	461,033
Inventories	-	2,690	2,690
Capital assets, net of accumulated depreciation (note 4)	21,320,857	109,856	21,430,713
Total assets	38,005,826	229,183	38,235,009
Liabilities			
Accounts payable	369,015	3,761	372,776
Salaries and benefits payable	807,152	53,088	860,240
Accrued interest payable	22,950	-	22,950
Deferred revenue:			
Succeeding year property tax	7,707,660	-	7,707,660
Other	244,249	10,582	254,831
Long-term liabilities (notes 5 and 6):			
Portion due within one year:			
Early retirement	129,389	-	129,389
Bonds payable	660,000	-	660,000
Compensated absences	2,939	-	2,939
Portion due after one year:			
Bonds payable	4,575,000	-	4,575,000
Net OPEB liability	218,254	3,746	222,000
Total liabilities	14,736,608	71,177	14,807,785

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 16,085,857	\$ 109,856	\$ 16,195,713
Restricted for:			
Categorical funding (note 10)	181,520	-	181,520
Management levy	266,551	-	266,551
Physical plant and equipment levy	483,569	-	483,569
Student activities	332,395	-	332,395
Debt service	33,664	-	33,664
Capital projects	2,221,060	-	2,221,060
Unrestricted	<u>3,664,602</u>	<u>48,150</u>	<u>3,712,752</u>
Total net assets	<u>\$ 23,269,218</u>	<u>\$ 158,006</u>	<u>\$ 23,427,224</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 11,365,845	\$ 1,285,195	\$ 2,172,629	\$ -
Support services:				
Student services	460,917	-	-	-
Instructional staff services	442,648	-	11,232	-
Administration services	1,947,128	-	-	-
Operation and maintenance of plant services	1,619,468	12,434	-	-
Transportation services	729,952	30,679	2,143	-
	5,200,113	43,113	13,375	-
Other expenditures:				
Facilities acquisition	197,741	91,520	-	185,000
Long-term debt interest and fiscal charges	146,383	-	-	-
AEA flowthrough	759,218	-	759,218	-
Depreciation (unallocated) *	678,827	-	-	-
	1,782,169	91,520	759,218	185,000
Total governmental activities	18,348,127	1,419,828	2,945,222	185,000
Business-Type Activities:				
Support services:				
Food service operations	9,720	-	-	-
Non-instructional programs:				
Food service operations	881,269	540,754	385,496	-
Total business-type activities	890,989	540,754	385,496	-
Total	\$ 19,239,116	\$ 1,960,582	\$ 3,330,718	\$ 185,000

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (7,908,021)	\$ -	\$ (7,908,021)
<hr/>		
(460,917)	-	(460,917)
(431,416)	-	(431,416)
(1,947,128)	-	(1,947,128)
(1,607,034)	-	(1,607,034)
(697,130)	-	(697,130)
<u>(5,143,625)</u>	<u>-</u>	<u>(5,143,625)</u>
78,779	-	78,779
(146,383)	-	(146,383)
-	-	-
<u>(678,827)</u>	<u>-</u>	<u>(678,827)</u>
<u>(746,431)</u>	<u>-</u>	<u>(746,431)</u>
<u>(13,798,077)</u>	<u>-</u>	<u>(13,798,077)</u>
-	(9,720)	(9,720)
<hr/>		
-	44,981	44,981
<hr/>		
-	35,261	35,261
<hr/>		
<u>(13,798,077)</u>	<u>35,261</u>	<u>(13,762,816)</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 6,206,232	\$ -	\$ 6,206,232
806,632	-	806,632
340,548	-	340,548
705,509	-	705,509
1,205,859	-	1,205,859
7,100,913	-	7,100,913
17,232	344	17,576
57,253	-	57,253
<hr/>		
16,440,178	344	16,440,522
<hr/>		
2,642,101	35,605	2,677,706
<hr/>		
20,627,117	122,401	20,749,518
<hr/>		
\$ <u>23,269,218</u>	\$ <u>158,006</u>	\$ <u>23,427,224</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 4,308,129	\$ 2,270,244	\$ 769,429	\$ 7,347,802
Receivables:				
Property tax:				
Current year	77,930	4,252	15,295	97,477
Succeeding year	6,126,315	370,895	1,210,450	7,707,660
Income surtax	567,987	189,329	-	757,316
Interfund receivable (note 3)	3,011	-	-	3,011
Accounts	152,524	-	-	152,524
Due from other governments	184,843	270,687	-	455,530
Total assets	\$ 11,420,739	\$ 3,105,407	\$ 1,995,174	\$ 16,521,320
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 325,452	\$ 29,883	\$ 13,680	\$ 369,015
Salaries and benefits payable	807,152	-	-	807,152
Deferred revenue:				
Succeeding year property tax	6,126,315	370,895	1,210,450	7,707,660
Other	812,236	189,329	-	1,001,565
Total liabilities	8,071,155	590,107	1,224,130	9,885,392
Fund balances:				
Restricted for:				
Categorical funding (note 10)	181,520	-	-	181,520
Debt service	-	-	56,614	56,614
Management levy purposes	-	-	382,035	382,035
Student activities	-	-	332,395	332,395
School infrastructure	-	2,221,060	-	2,221,060
Physical plant and equipment	-	294,240	-	294,240
Unassigned	3,168,064	-	-	3,168,064
Total fund balances	3,349,584	2,515,300	771,044	6,635,928
Total liabilities and fund balances	\$ 11,420,739	\$ 3,105,407	\$ 1,995,174	\$ 16,521,320

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 6,635,928
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

The Internal Service Fund accounts for the partial self-funding health insurance operations of the District and, due to the integral nature of the activities to the governmental funds, is incorporated into the Statement of Net Assets.	163,649
--	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,320,857
--	------------

Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	757,316
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(22,950)
--	----------

Long-term liabilities, including early retirement, bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,585,582)</u>
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Net assets of governmental activities	\$ <u><u>23,269,218</u></u>
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See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 6,325,060	\$ 1,717,085	\$ 1,196,190	\$ 9,238,335
Tuition	529,568	-	-	529,568
Other	424,895	218,802	652,143	1,295,840
State sources	8,978,510	156	575	8,979,241
Federal sources	850,849	35,000	-	885,849
Total revenues	17,108,882	1,971,043	1,848,908	20,928,833
Expenditures:				
Current:				
Instruction	10,644,023	-	721,869	11,365,892
Support services:				
Student services	460,917	-	-	460,917
Instructional staff services	444,014	-	-	444,014
Administration services	1,802,492	-	133,269	1,935,761
Operation and maintenance of plant services	1,467,790	37,625	93,149	1,598,564
Transportation services	605,644	404,823	20,008	1,030,475
	4,780,857	442,448	246,426	5,469,731
Other expenditures:				
Facilities acquisition	-	810,750	-	810,750
Long term debt:				
Principal	-	-	645,000	645,000
Interest and fiscal charges	-	-	160,968	160,968
AEA flowthrough	759,218	-	-	759,218
	759,218	810,750	805,968	2,375,936
Total expenditures	16,184,098	1,253,198	1,774,263	19,211,559
Excess (deficiency) of revenues over (under) expenditures	924,784	717,845	74,645	1,717,274

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Compensation for loss of capital assets	\$ <u>7,180</u>	\$ <u>31,416</u>	\$ <u>-</u>	\$ <u>38,596</u>
Net change in fund balances	931,964	749,261	74,645	1,755,870
Fund balances beginning of year, as restated (note 11)	<u>2,417,620</u>	<u>1,766,039</u>	<u>696,399</u>	<u>4,880,058</u>
Fund balances end of year	\$ <u><u>3,349,584</u></u>	\$ <u><u>2,515,300</u></u>	\$ <u><u>771,044</u></u>	\$ <u><u>6,635,928</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 1,755,870

Amounts reported for governmental activities in the Statement of Activities
are different because:

The Statement of Activities is adjusted for the increase in net assets of the
Internal Service Fund, which represents an overcharge to the governmental
funds. 76,057

Capital outlays to purchase or build capital assets are reported in
governmental funds as expenditures. However, those costs are not reported
in the Statement of Net Assets and are allocated over their estimated useful
lives as depreciation expense in the Statement of Activities. The amounts
of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,017,832	
Depreciation expense	<u>(853,021)</u>	164,811

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue in the governmental
funds and is deferred. It is, however, recorded as revenue in the
Statement of Activities. 22,799

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Assets. 645,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the funds when due. In the Statement of Activities,
however, interest expense is recognized as the interest accrues, regardless
of when it is due. 14,585

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

Early retirement	(15,832)	
Compensated absences	4,546	
Net OPEB liability	<u>(25,735)</u>	<u>(37,021)</u>

Change in net assets of governmental activities \$ 2,642,101

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	Enterprise			
	School	Nonmajor		Internal
	Nutrition	Enterprise	Total	Service
Assets				
Cash and cash equivalents	\$ 114,145	\$ -	\$ 114,145	\$ 163,649
Due from other governments	5,503	-	5,503	-
Inventories	2,690	-	2,690	-
Capital assets, net of accumulated depreciation (note 4)	109,856	-	109,856	-
Total assets	<u>232,194</u>	<u>-</u>	<u>232,194</u>	<u>163,649</u>
Liabilities				
Accounts payable	3,761	-	3,761	-
Salaries and benefits payable	53,088	-	53,088	-
Interfund payable (note 3)	-	3,011	3,011	-
Deferred revenue	10,582	-	10,582	-
Net OPEB liability (notes 5 & 6)	3,328	418	3,746	-
Total liabilities	<u>70,759</u>	<u>3,429</u>	<u>74,188</u>	<u>-</u>
Net Assets				
Invested in capital assets	109,856	-	109,856	-
Unrestricted	<u>51,579</u>	<u>(3,429)</u>	<u>48,150</u>	<u>163,649</u>
Total net assets	<u>\$ 161,435</u>	<u>\$ (3,429)</u>	<u>\$ 158,006</u>	<u>\$ 163,649</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise			Internal
	School	Nonmajor	Total	Service
	Nutrition	Enterprise		
Operating revenues:				
Local sources:				
Charges for services	\$ 540,754	\$ -	\$ 540,754	\$ 238,785
Operating expenses:				
Support services:				
Purchased services	701	-	701	-
Supplies	7,173	-	7,173	-
Other	1,846	-	1,846	-
	<u>9,720</u>	<u>-</u>	<u>9,720</u>	<u>-</u>
Non-instructional programs:				
Salaries	362,105	-	362,105	-
Benefits	111,983	-	111,983	-
Purchased services	-	-	-	163,175
Supplies	391,225	-	391,225	-
Depreciation	15,956	-	15,956	-
	<u>881,269</u>	<u>-</u>	<u>881,269</u>	<u>163,175</u>
Total expenses	<u>890,989</u>	<u>-</u>	<u>890,989</u>	<u>163,175</u>
Operating income (loss)	<u>(350,235)</u>	<u>-</u>	<u>(350,235)</u>	<u>75,610</u>
Non-operating revenues:				
Interest on investments	344	-	344	447
State sources	7,521	-	7,521	-
Federal sources	377,975	-	377,975	-
Total non-operating revenues	<u>385,840</u>	<u>-</u>	<u>385,840</u>	<u>447</u>
Change in net assets	35,605	-	35,605	76,057
Net assets beginning of year	<u>125,830</u>	<u>(3,429)</u>	<u>122,401</u>	<u>87,592</u>
Net assets end of year	<u>\$ 161,435</u>	<u>\$ (3,429)</u>	<u>\$ 158,006</u>	<u>\$ 163,649</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise			Internal
	School	Nonmajor	Total	Service
	Nutrition	Enterprise		
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 523,836	\$ -	\$ 523,836	\$ -
Cash received from miscellaneous operating activities	17,598	-	17,598	238,825
Cash payments to employees for services	(484,331)	-	(484,331)	-
Cash payments to suppliers for goods or services	(362,647)	-	(362,647)	(163,175)
Net cash provided by (used by) operating activities	(305,544)	-	(305,544)	75,650
Cash flows from non-capital financing activities:				
State grants received	7,521	-	7,521	-
Federal grants received	342,745	-	342,745	-
Net cash provided by non-capital financing activities	350,266	-	350,266	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(14,856)	-	(14,856)	-
Cash flows from investing activities:				
Interest on investments	344	-	344	447
Net increase in cash and cash equivalents	30,210	-	30,210	76,097
Cash and cash equivalents beginning of year	83,935	-	83,935	87,552
Cash and cash equivalents end of year	\$ 114,145	\$ -	\$ 114,145	\$ 163,649

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise			
	School	Nonmajor		Internal
	Nutrition	Enterprise	Total	Service
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (350,235)	\$ -	\$ (350,235)	\$ 75,610
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	15,956	-	15,956	-
Commodities used	37,075	-	37,075	-
Decrease in accounts receivable	222	-	222	40
Decrease in inventories	828	-	828	-
Increase in accounts payable	395	-	395	-
(Decrease) in salaries and benefits payable	(10,243)	-	(10,243)	-
Increase in deferred revenue	458	-	458	-
Net cash provided by (used by) operating activities	\$ <u>(305,544)</u>	\$ <u>-</u>	\$ <u>(305,544)</u>	\$ <u>75,650</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$37,075 of federal commodities.

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2011

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>17,296</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>17,296</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2011

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>73</u>
Deductions:	
Support services:	
Scholarships awarded	<u>8,253</u>
Change in net assets	(8,180)
Net assets beginning of year	<u>25,476</u>
Net assets end of year	\$ <u><u>17,296</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Grinnell-Newburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Grinnell and Newburg, Iowa, and agricultural territory in Poweshiek and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Grinnell-Newburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Grinnell-Newburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

In addition, the District also reports the nonmajor Enterprise Fund, After School Program to account for after school activities and the nonmajor Internal Service Fund, Partial Self-Funded Health Insurance to account for partial self-funding of District health insurance for employees.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Interfund receivables and payables – During the course of its operations the District has transactions between funds. To the extent certain transactions between funds had not been repaid as of June 30, 2011, balances of interfund accounts receivable and payable have been recorded in the fund financial statements. These balances are eliminated on the face of the government-wide statement of net assets.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	20,000
Improvements other than buildings	20,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements other than buildings	20 years
Furniture and equipment	4-15 years

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned Federal grants, and unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>3,564,373</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Receivables/Payables

The detail of interfund receivables/payables at June 30, 2011 is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Enterprise Fund, After School Program	\$ <u><u>3,011</u></u>

The amounts due between the General Fund and the After School Program Fund are due to pooled cash balances.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,500	\$ -	\$ -	\$ 52,500
Construction in progress	440,339	21,649	440,339	21,649
Total capital assets not being depreciated	492,839	21,649	440,339	74,149
Capital assets being depreciated:				
Buildings	27,189,581	902,006	-	28,091,587
Improvements other than buildings	400,929	-	-	400,929
Furniture and equipment	1,398,695	534,516	240,935	1,692,276
Total capital assets being depreciated	28,989,205	1,436,522	240,935	30,184,792
Less accumulated depreciation for:				
Buildings	7,137,929	672,293	-	7,810,222
Improvements other than buildings	108,247	22,697	-	130,944
Furniture and equipment	1,079,822	158,031	240,935	996,918
Total accumulated depreciation	8,325,998	853,021	240,935	8,938,084
Total capital assets being depreciated, net	20,663,207	583,501	-	21,246,708
Governmental activities capital assets, net	\$ <u>21,156,046</u>	\$ <u>605,150</u>	\$ <u>440,339</u>	\$ <u>21,320,857</u>
Business-type activities:				
Furniture and equipment	\$ 244,951	\$ 14,856	\$ -	\$ 259,807
Less accumulated depreciation	133,995	15,956	-	149,951
Business-type activities capital assets, net	\$ <u>110,956</u>	\$ <u>(1,100)</u>	\$ <u>-</u>	\$ <u>109,856</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 20,752
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Support services:

Instructional staff	
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Administration	20,159
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Operation and maintenance of plant services	25,817
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Transportation	107,466
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	<u>174,194</u>
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Unallocated depreciation	678,827
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Total governmental activities depreciation expense	\$ <u><u>853,021</u></u>
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Business-type activities:

Food service operations	\$ <u><u>15,956</u></u>
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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 113,557	\$ 129,389	\$ 113,557	\$ 129,389	\$ 129,389
General obligation bonds	5,880,000	-	645,000	5,235,000	660,000
Compensated absences	7,485	2,939	7,485	2,939	2,939
Net OPEB liability	192,519	25,735	-	218,254	-
Total	\$ 6,193,561	\$ 158,063	\$ 766,042	\$ 5,585,582	\$ 792,328
Business-type activities:					
Net OPEB liability	\$ 3,746	\$ -	\$ -	\$ 3,746	\$ -

Early Retirement

The District offers a voluntary early retirement plan to all employees. Eligible certified employees must be at least age fifty-five and employees must have completed ten years of service and continuously worked a minimum of the most previous five years for the District. Employees must complete an application which is required to be approved by the Board of Education.

Eligible non-certified employees must be at least age sixty and have completed ten years of service to the District or at least age fifty-five with twenty years of service total, with the most previous five years for the District in either case.

The early retirement benefit for each eligible employee is based on salary and length of service for certified employees and length of service for non-certified employees.

At June 30, 2011, the District had obligations to five participants with a total liability of \$129,389. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$113,557. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	2.000 %	\$ 660,000	\$ 134,450	\$ 794,450
2013	2.000	650,000	121,250	771,250
2014	2.000-2.125	675,000	108,250	783,250
2015	2.125	700,000	93,844	793,844
2016	2.250-2.500	700,000	78,750	778,750
2017	3.125	250,000	66,062	316,062
2018	3.125	250,000	58,250	308,250
2019	3.500	250,000	50,437	300,437
2020	3.500	250,000	41,688	291,688
2021	3.875	275,000	32,937	307,937
2022	3.875	275,000	22,281	297,281
2023	3.875	300,000	11,625	311,625
		<u>\$ 5,235,000</u>	<u>\$ 819,824</u>	<u>\$ 6,054,824</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 242 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a partially-insured plan with Alliance Select with the District covering the difference in deductible amounts for purchased plans with those paid by employees. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	53,000
Interest on net OPEB obligation		9,000
Adjustment to annual required contribution		(7,265)
Annual OPEB cost		<u>54,735</u>
Contributions made		<u>(29,000)</u>
Increase in net OPEB obligation		25,735
Net OPEB obligation beginning of year		<u>196,265</u>
Net OPEB obligation end of year	\$	<u><u>222,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$29,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 54,735	52.9%	\$ 222,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$452,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$452,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,132,000, and the ratio of the UAAL to covered payroll was 4.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2009.

Projected claim costs of the medical plan are \$669 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$690,158, \$637,482, and \$624,253, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Partial Self-funded Health

The District has a partially self-funded health insurance program. The District funds the difference between the deductible on the plan chosen by the employee and the plan actually purchased by the District. This difference ranges between \$2,500 and \$3,000 per plan. Expenditures for the year totaled \$163,175 which is recorded in the nonmajor Internal Service Fund. The reserve for future casualty losses was \$163,649 at June 30, 2011.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Risk Management (continued)

Casualty/Workers' Compensation

Grinnell-Newburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$759,218 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 84,852
Professional development	59,323
Professional development for model core curriculum	26,352
Statewide voluntary four-year-old preschool program	7,583
Non-public transportation	1,769
Non-public textbooks	<u>1,641</u>
Total	<u>\$ 181,520</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 915,636	\$ 850,403
Change in fund type classification per implementation of GASB Statement No. 54	<u>850,403</u>	<u>(850,403)</u>
Balances July 1, 2010, as restated	<u>\$ 1,766,039</u>	<u>\$ -</u>

Required Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2011

	<u>Governmental Funds - Actual</u>	<u>Proprietary Fund - Actual</u>	<u>Total Actual</u>	<u>Budgeted Amounts Original and Final</u>	<u>Final to Actual Variance</u>
REVENUES:					
Local sources	\$ 11,063,743	\$ 541,098	\$ 11,604,841	\$ 11,072,937	\$ 531,904
State sources	8,979,241	7,521	8,986,762	9,615,836	(629,074)
Federal sources	885,849	377,975	1,263,824	874,000	389,824
Total revenues	<u>20,928,833</u>	<u>926,594</u>	<u>21,855,427</u>	<u>21,562,773</u>	<u>292,654</u>
EXPENDITURES/EXPENSES:					
Instruction	11,365,892	-	11,365,892	12,075,000	709,108
Support services	5,469,731	9,720	5,479,451	7,050,000	1,570,549
Non-instructional programs	-	881,269	881,269	1,175,000	293,731
Other expenditures	2,375,936	-	2,375,936	4,468,356	2,092,420
Total expenditures/expenses	<u>19,211,559</u>	<u>890,989</u>	<u>20,102,548</u>	<u>24,768,356</u>	<u>4,665,808</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,717,274	35,605	1,752,879	(3,205,583)	4,958,462
Other financing sources, net	38,596	-	38,596		38,596
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,755,870	35,605	1,791,475	(3,205,583)	4,997,058
Balance beginning of year	4,880,058	122,401	5,002,459	4,463,177	539,282
Balance end of year	<u>\$ 6,635,928</u>	<u>\$ 158,006</u>	<u>\$ 6,793,934</u>	<u>\$ 1,257,594</u>	<u>\$ 5,536,340</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,974	\$ 1,974	0.0%	\$ 10,005	19.7%
2010	July 1, 2008	-	1,974	1,974	0.0%	9,745	20.3%
2011	July 1, 2010	-	452	452	0.0%	10,132	4.5%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Other Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	<u>Special Revenue</u>		<u>Debt</u>	
	<u>Management</u>	<u>Student</u>	<u>Service</u>	<u>Total</u>
	<u>Levy</u>	<u>Activity</u>		
Assets				
Cash and pooled investments	\$ 380,590	\$ 342,293	\$ 46,546	\$ 769,429
Receivables:				
Property tax:				
Current year	5,227	-	10,068	15,295
Succeeding year	415,000	-	795,450	1,210,450
Total assets	<u>\$ 800,817</u>	<u>\$ 342,293</u>	<u>\$ 852,064</u>	<u>\$ 1,995,174</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,782	\$ 9,898	\$ -	\$ 13,680
Deferred revenue:				
Succeeding year property tax	415,000	-	795,450	1,210,450
Total liabilities	<u>418,782</u>	<u>9,898</u>	<u>795,450</u>	<u>1,224,130</u>
Fund balances:				
Restricted for:				
Debt service	-	-	56,614	56,614
Management levy purposes	382,035	-	-	382,035
Student activities	-	332,395	-	332,395
Total fund balances	<u>382,035</u>	<u>332,395</u>	<u>56,614</u>	<u>771,044</u>
Total liabilities and fund balances	<u>\$ 800,817</u>	<u>\$ 342,293</u>	<u>\$ 852,064</u>	<u>\$ 1,995,174</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 389,927	\$ -	\$ 806,263	\$ 1,196,190
Other	9,861	642,282	-	652,143
State sources	206	-	369	575
Total revenues	<u>399,994</u>	<u>642,282</u>	<u>806,632</u>	<u>1,848,908</u>
Expenditures:				
Current:				
Instruction	91,927	629,942	-	721,869
Support services:				
Administration services	133,269	-	-	133,269
Operation and maintenance of plant services	93,149	-	-	93,149
Transportation services	20,008	-	-	20,008
Other expenditures:				
Long term debt:				
Principal	-	-	645,000	645,000
Interest and fiscal charges	-	-	160,968	160,968
Total expenditures	<u>338,353</u>	<u>629,942</u>	<u>805,968</u>	<u>1,774,263</u>
Excess of revenues over expenditures	61,641	12,340	664	74,645
Fund balances beginning of year	<u>320,394</u>	<u>320,055</u>	<u>55,950</u>	<u>696,399</u>
Fund balances end of year	<u>\$ 382,035</u>	<u>\$ 332,395</u>	<u>\$ 56,614</u>	<u>\$ 771,044</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 1,764,171	\$ 284,737	\$ 221,336	\$ 2,270,244
Receivables:				
Property tax:				
Current year	-	4,252	-	4,252
Succeeding year	-	370,895	-	370,895
Income surtax	-	189,329	-	189,329
Due from other governments	235,687	35,000	-	270,687
Total assets	\$ 1,999,858	\$ 884,213	\$ 221,336	\$ 3,105,407
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 134	\$ 29,749	\$ -	\$ 29,883
Deferred revenue:				
Succeeding year property tax	-	370,895	-	370,895
Other	-	189,329	-	189,329
Total liabilities	134	589,973	-	590,107
Fund balances:				
Restricted for:				
School infrastructure	1,999,724	-	221,336	2,221,060
Physical plant and equipment	-	294,240	-	294,240
Total fund balances	1,999,724	294,240	221,336	2,515,300
Total liabilities and fund balances	\$ 1,999,858	\$ 884,213	\$ 221,336	\$ 3,105,407

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,205,859	\$ 511,226	\$ -	\$ 1,717,085
Other	6,660	61,565	150,577	218,802
State sources	-	156	-	156
Federal sources	-	35,000	-	35,000
Total revenues	<u>1,212,519</u>	<u>607,947</u>	<u>150,577</u>	<u>1,971,043</u>
Expenditures:				
Support services:				
Operation and maintenance of plant services	-	37,625	-	37,625
Transportation services	-	404,823	-	404,823
Other expenditures:				
Facilities acquisition	57,672	753,078	-	810,750
Total expenditures	<u>57,672</u>	<u>1,195,526</u>	<u>-</u>	<u>1,253,198</u>
Excess (deficiency) of revenues over (under) expenditures	1,154,847	(587,579)	150,577	717,845
Other financing sources (uses):				
Compensation for loss of capital assets	-	31,416	-	31,416
Net change in fund balances	1,154,847	(556,163)	150,577	749,261
Fund balances beginning of year, as restated	844,877	850,403	70,759	1,766,039
Fund balances end of year	<u>\$ 1,999,724</u>	<u>\$ 294,240</u>	<u>\$ 221,336</u>	<u>\$ 2,515,300</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Local Project	\$ (6,382)	\$ 6,382	\$ -	\$ -
Student Activities	25,869	1,210	6,970	20,109
Pop Machine	(808)	808	-	-
Fine Arts	13,477	16,735	13,593	16,619
High School:				
Plays and Productions	4,666	6,711	8,743	2,634
Curtain Club	1,187	8,977	7,587	2,577
Speech	862	1,094	1,870	86
Vocal Music	4,181	2,713	3,350	3,544
Choir Robes	1,235	1,350	1,340	1,245
Band	3,018	5,160	5,311	2,867
Band Trip	29,703	49,409	74,293	4,819
Band Uniforms	743	1,368	1,368	743
SS Christmas Shares	120	-	-	120
Caps and Gowns	(1,082)	6,744	5,662	-
Coaches Club	485	750	-	1,235
Track Club	2,435	1,991	2,723	1,703
Cross Country	613	1,014	713	914
Weightlifting Club	3,447	8,681	5,843	6,285
Boys Basketball	6,194	2,492	6,538	2,148
Boys Golf	815	380	467	728
Boys Swimming	39	-	-	39
Girls Basketball	3,968	7,582	4,224	7,326
Girls Soccer	539	918	960	497
Softball	6,316	1,374	4,157	3,533
Girls Swimming	347	3,010	2,566	791
Special Ed	1,128	125	-	1,253
Partners	1,888	1,024	954	1,958
Art Club	2,185	1,492	678	2,999
Cheerleaders	4,164	8,231	9,237	3,158
Tiger's Den	3,054	4,701	2,905	4,850
Prom	7,227	5,226	6,626	5,827

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
F.C.C.L.A.	\$ 1,717	\$ 2,144	\$ 1,667	\$ 2,194
Football Club	4,503	5,753	5,422	4,834
Basic Training	6,452	9,058	7,685	7,825
Debate	230	1,987	1,972	245
FFA	8,651	36,607	36,850	8,408
Tiger Paws	1,789	20,733	10,071	12,451
A.I.A.S.A.	590	-	-	590
International Club	397	500	55	842
Model U.N.	464	974	1,008	430
National Honor Society	244	750	145	849
Spanish Club	2,090	650	432	2,308
Student Council	(636)	7,189	6,154	399
Snack Bar	7,172	2,205	7,290	2,087
Yearbook	(41,858)	28,420	30,082	(43,520)
Book Fair	286	2,505	1,421	1,370
Baseball Club	3,022	580	1,025	2,577
Boys Tennis Club	399	625	651	373
Wrestling Club	1,815	2,095	3,423	487
Volleyball Club	4,943	3,561	2,944	5,560
Girls Tennis Club	245	870	792	323
Girls Golf Club	500	430	65	865
Student Activities	343	7,630	4,319	3,654
Activity Support Fee	2,050	19,984	21,870	164
High School Athletics	100,275	198,805	182,218	116,862
Middle School:				
Plays and Productions	1,282	339	-	1,621
Vocal Music	4,880	1,733	1,118	5,495
Band	2,054	4,139	2,643	3,550
Chess Club	762	-	-	762
Campout	4,011	3,000	2,210	4,801
Camp Grinnell	373	900	1,099	174
Science Club	6,906	-	3,102	3,804
Destination Imagination	-	5,557	768	4,789
Student Council	13,366	29,264	26,572	16,058

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
Book Fair	\$ 1,893	\$ 5,165	\$ 5,130	\$ 1,928
Student Activities	7,102	1,418	1,836	6,684
Principal's Account	829	691	1,520	-
Activity Support Fee	9,242	9,399	15,000	3,641
Middle School Athletics	12,245	38,977	34,776	16,446
Bailey Park Elementary:				
Book Fair	3,405	4,413	5,165	2,653
Student Activities	1,029	1,626	935	1,720
Principal's Account	856	-	856	-
Gifts and Donations	6,066	800	920	5,946
Activity Support Fee	2	-	2	-
Davis Elementary:				
Book Fair	1,910	7,119	6,855	2,174
Student Activities	9,336	4,199	3,594	9,941
Fairview Elementary:				
Book Fair	671	7,458	6,853	1,276
Student Activities	2,026	3,046	300	4,772
Principal's Account	1,167	282	1,449	-
Gifts and Donations	1,326	1,050	1,000	1,376
Total	\$ 320,055	\$ 642,282	\$ 629,942	\$ 332,395

See accompanying independent auditor's report.

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 9,238,335	\$ 8,898,254	\$ 8,511,361	\$ 8,402,622
Tuition	529,568	433,339	512,273	507,751
Other	1,295,840	1,243,877	1,216,618	508,898
State sources	8,979,241	7,491,052	8,462,266	8,410,860
Federal sources	885,849	1,572,519	615,223	429,269
Total revenues	<u>\$ 20,928,833</u>	<u>\$ 19,639,041</u>	<u>\$ 19,317,741</u>	<u>\$ 18,259,400</u>
Expenditures:				
Instruction	\$ 11,365,892	\$ 10,606,216	\$ 10,382,605	\$ 10,182,778
Support services:				
Student services	460,917	435,580	394,964	365,780
Instructional staff services	444,014	364,914	400,339	523,850
Administration services	1,935,761	1,936,166	2,117,635	2,185,781
Operation and maintenance of plant services	1,598,564	1,492,326	1,509,357	1,711,156
Transportation services	1,030,475	619,047	556,651	682,836
Non-instructional programs	-	-	-	22,930
Other expenditures:				
Facilities acquisition	810,750	628,958	308,549	286,234
Long-term debt:				
Principal	645,000	8,195,000	2,045,000	2,530,000
Interest and fiscal charges	160,968	377,149	393,786	483,154
AEA flowthrough	759,218	731,573	612,811	588,211
Total expenditures	<u>\$ 19,211,559</u>	<u>\$ 25,386,929</u>	<u>\$ 18,721,697</u>	<u>\$ 19,562,710</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 7,701,812	\$ 7,318,522	\$ 7,390,222
457,114	464,648	325,740
2,294,202	3,122,680	961,617
7,968,921	7,332,526	7,284,851
429,102	602,424	847,351
<u>\$ 18,851,151</u>	<u>\$ 18,840,800</u>	<u>\$ 16,809,781</u>
\$ 10,186,119	\$ 9,201,079	\$ 8,831,816
361,383	382,760	393,872
438,521	421,309	332,472
1,933,147	1,829,346	1,498,438
1,878,062	1,446,013	1,268,503
711,329	525,710	489,462
3,477,011	5,621,478	3,885,846
1,080,000	895,000	795,000
507,096	532,077	455,785
557,625	515,676	513,154
<u>\$ 21,130,293</u>	<u>\$ 21,370,448</u>	<u>\$ 18,464,348</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Fund for the Improvement of Education	84.215	FY 10	\$ <u>17,283</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	55,189
National School Lunch Program (non-cash)	10.555	FY 11	37,075
National School Lunch Program	10.555	FY 11	272,667
Summer Food Service Program for Children	10.559	FY 11	<u>13,044</u>
			<u>377,975</u>
U. S. Department of Justice:			
City of Grinnell:			
Public Safety Partnership and Community Policing Grants	16.710	FY 11	<u>35,000</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	2709-G-11	172,463
Title I Grants to Local Educational Agencies	84.010	SINA	10,300
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>67,493</u>
			<u>250,256</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>62,260</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>11,232</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	6,258
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	93,217
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	<u>83,145</u>
			<u>182,620</u>
Education Jobs Fund	84.410	FY 11	<u>109,950</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Area Education Agency #267:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	\$ <u>91,220</u>
English Language Acquisition Grants	84.365	FY 11	<u>342</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>17,553</u>
Total			\$ <u><u>1,155,691</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Grinnell-Newburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Grinnell-Newburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grinnell-Newburg Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grinnell-Newburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grinnell-Newburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grinnell-Newburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal control over financial reporting were noted.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grinnell-Newburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Grinnell-Newburg Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grinnell-Newburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Grinnell-Newburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grinnell-Newburg Community School District and other parties to whom Grinnell-Newburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Grinnell-Newburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 17, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Grinnell-Newburg Community School District:

Compliance

We have audited Grinnell-Newburg Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Grinnell-Newburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Grinnell-Newburg Community School District's management. Our responsibility is to express an opinion on Grinnell-Newburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grinnell-Newburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grinnell-Newburg Community School District's compliance with those requirements.

In our opinion, Grinnell-Newburg Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Grinnell-Newburg Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Grinnell-Newburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grinnell-Newburg Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal control over compliance were noted.

Grinnell-Newburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Grinnell-Newburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grinnell-Newburg Community School District and other parties to whom Grinnell-Newburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
November 17, 2011

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Grinnell-Newburg Community School District did qualify as a low-risk auditee.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Activity Fundraiser – We noted in our testing of two Special Revenue, Student Activity Fund fundraisers that no fundraiser reconciliations were prepared. In addition, we noted that one of these fundraisers and another fundraiser had not been properly approved by the Board in advance of the fundraising activities.

Recommendation – The District currently has a policy which requires prior approval for any fundraising activities and a reconciliation of those fundraising activity results. This reconciliation should tie total sales receipts to the related bank deposits and fundraiser disbursements to protect the underlying assets. Proper approval of all Activity Fund fundraisers prior to actual fundraising activities controls the number of groups that are out in the community in the District's name at any one time during the school year and helps the District control which clubs should be submitting a fundraiser reconciliation. The Board should ensure that all clubs follow the current fundraising policy by creating and enforcing penalties for clubs using improper fundraising procedures.

Response – This will be a higher priority in the future for the District. We are currently educating all clubs and sponsors on the importance of following the proper procedures for fundraising activities to protect both the underlying assets of any fundraisers and the clubs' and District's image in the public domain.

Conclusion – Response accepted.

- II-B-11 Purchase Orders – We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that six out of forty purchase orders tested were completed after the product had been ordered or received.

Recommendation – The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding encumbrance, which represents the amount as an obligation against the budget. When monitoring actual expenditures, it can be helpful to know the outstanding orders which will be subsequently paid. This allows the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response – The District will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-C-11 Middle School Concessions – In our review with District officials of the concession activities ran for the benefit of Middle School students and faculty, we noted that students were left in charge of the concession activities with little or no supervision or oversight by faculty or other District officials. In addition, we noted that students and faculty were receiving cash payouts and gift certificates as awards from the student activity snack bar account. The cash awards we noted totaled \$340.

Recommendation – For the middle school concession stand, an adult supervisor should be on hand at all times to better safeguard the concession stand cash collections and inventory. Regarding the cash payouts from the student activity snack bar, Iowa Department of Education guidelines state that cash prizes or gift certificates to students or employees do not meet the test of public purpose. Therefore, this practice should be discontinued and controls should be designed to prevent such payouts in the future.

Response – We will implement the recommendation of more supervision for the middle school concessions activities. We will also immediately discontinue the cash and gift certificate payouts from the Student Activity snack bar account and we will implement procedures and controls to monitor such disbursements in the future.

Conclusion – Response accepted.

- II-D-11 Bank Reconciliations – We noted that non-cash items and reimbursements were being included in bank reconciliations and that the net differences totaled \$11,587 at June 30, 2011.

Recommendation – Even immaterial differences should be investigated and properly tied out and corrected each month. This helps protect the underlying assets and ensure accurate financial statement preparation.

Response – We will properly investigate and correct all differences in the future.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- IV-B-11 Questionable Expenditures – Except as identified in item II-C-11, no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-11 Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	844,877
Revenues:			
Sales tax revenues	\$	1,205,859	
Other local revenues		<u>6,660</u>	<u>1,212,519</u>
Expenditures/transfers out:			
Equipment			<u>57,672</u>
Ending balance		\$	<u><u>1,999,724</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Deficit Balances – The yearbook student activity account within the Special Revenue, Student Activity Fund had a deficit balance of \$43,520 at June 30, 2011. In addition, the Nonmajor Enterprise, After School Program Fund had a deficit unrestricted net assets balance of \$3,429.

Recommendation – The District should continue to investigate alternatives to eliminate the deficits in the Activity Fund. The District should close the After School Program Fund to the General Fund since there has been no activity on this fund for the past two years. School board authorization will be needed to close the account.

Response – The District is continuing to investigate alternatives to eliminate deficit accounts in the student activity account at the end of the fiscal year. We are analyzing the After School Program Fund problems and will consider what our options are in the future.

Conclusion – Response accepted.